

Various Financial Alternatives vs. LSW LifeCycle Solutions SIUL

For: Mr. Valued Client/Mrs. Valued Client



Presented By: _____
Valued Agent
BGA Insurance
www.bgainurance.com
Phone: 949-955-0255

Representing: _____
LSW

Various Financial Alternatives vs. LSW LifeCycle Solutions SIUL

Presented By: Shawn Bragdon, CLU, ChFC

Insured: Mr. Valued Client/Mrs. Valued Client

Preface

A decision to acquire additional life insurance can represent one of several significant phases in your overall financial planning.

An important part of this decision involves the comparison of the life insurance policy to alternative investment possibilities.

To help you make an informed decision about acquiring the policy, the accompanying presentation shows financial data regarding life insurance compared to these alternatives:

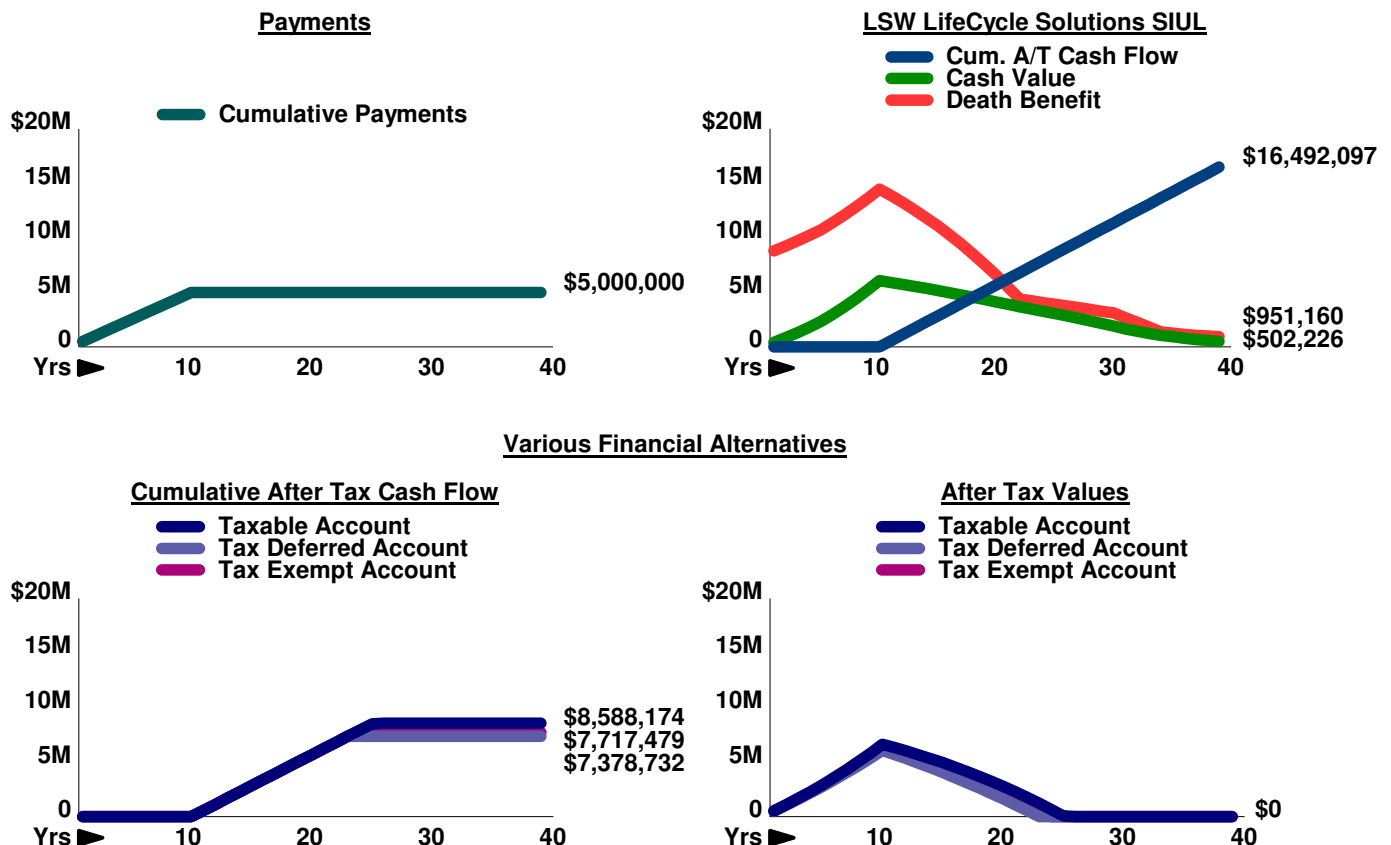
Taxable Account;
Tax Deferred Account;
Tax Exempt Unit Trust.

The study offers information from which you and your advisers can draw informed conclusions about the suitability of either plan.

Following are major features of the life insurance policy for you to consider as part of your overall assessment:

1. Income tax free death benefits;
2. Probate free death benefits;
3. Accumulating cash values;
4. Income tax deferred growth of cash values;
5. Competitive current interest rate;
6. Tax free access to cash values via policy loans;
7. Privacy of all transactions;
8. Advance of death benefits in certain adverse health circumstances -- as defined in the policy contract.

Favorable income tax consequences combine with significant policy values and benefits to produce a life insurance solution that has a considerable amount of financial leverage.



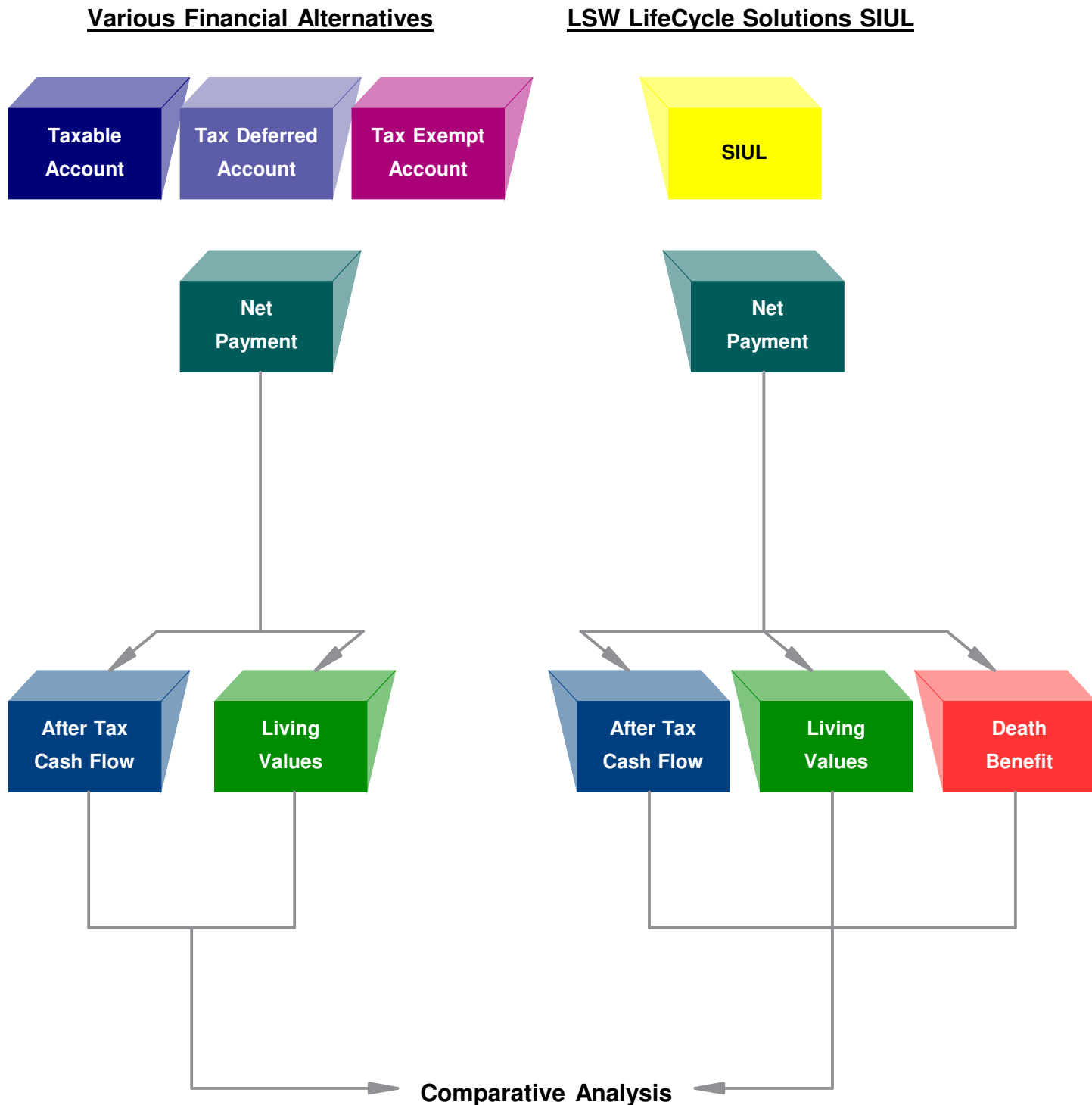
This graphic assumes the non-guaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable.

Various Financial Alternatives vs. LSW LifeCycle Solutions SIUL

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Flow Chart



Various Financial Alternatives vs. LSW LifeCycle Solutions SIUL

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Insured: Mr. Valued Client/Mrs. Valued Client

Comparison of Values

Taxable Account Growth 7.00% Tax Deferred Account Yield 7.00% Tax Exempt Account Yield 4.00% Income Tax Rate 35.00% SIUL Interest Rate 7.00% Initial Death Benefit 8,415,053

		After Tax Values of Identical Allocation to Various Financial Alternatives						SIUL			
		(1)	(2a)	(2b)	(3a)	(3b)	(4a)	(4b)	(5a)	(5b)	(5c)
Yr	F/M Ages	Life Insurance Premium	After Tax Cash Flow from Taxable Account	Taxable Account	After Tax Cash Flow from Tax Deferred Account	Tax Deferred Account	After Tax Cash Flow from Tax Exempt Account	Tax Exempt Account	After Tax Policy Loan Proceeds	Year End Cash Value*	Death Benefit
1	61/65	500,000	0	527,779	0	516,838	0	518,960	0	405,495	8,820,532
2	62/66	500,000	0	1,083,669	0	1,051,387	0	1,057,599	0	836,604	9,251,641
3	63/67	500,000	0	1,668,193	0	1,604,564	0	1,616,663	0	1,296,835	9,711,872
4	64/68	500,000	0	2,282,045	0	2,177,335	0	2,196,927	0	1,788,998	10,204,035
5	65/69	500,000	0	2,926,063	0	2,770,714	0	2,799,194	0	2,315,238	10,730,275
6	66/70	500,000	0	3,601,222	0	3,385,769	0	3,424,300	0	2,969,729	11,384,766
7	67/71	500,000	0	4,308,617	0	4,023,623	0	4,073,109	0	3,669,325	12,084,362
8	68/72	500,000	0	5,049,453	0	4,685,458	0	4,746,522	0	4,416,962	12,831,999
9	69/73	500,000	0	5,825,043	0	5,372,516	0	5,445,470	0	5,215,739	13,630,776
10	70/74	500,000	0	6,636,800	0	6,086,104	0	6,170,922	0	6,069,028	14,484,065
11	71/75	0	568,693	6,340,050	568,693	5,712,600	568,693	5,814,666	568,693	5,901,779	13,881,250
12	72/76	0	568,693	6,023,206	568,693	5,319,746	568,693	5,444,900	568,693	5,728,630	13,242,267
13	73/77	0	568,693	5,686,949	568,693	4,911,052	568,693	5,061,113	568,693	5,549,152	12,564,945
14	74/78	0	568,693	5,331,610	568,693	4,488,594	568,693	4,662,772	568,693	5,362,467	11,846,983
15	75/79	0	568,693	4,957,237	568,693	4,051,910	568,693	4,249,327	568,693	5,168,413	11,085,943
16	76/80	0	568,693	4,563,661	568,693	3,600,518	568,693	3,820,203	568,693	4,967,561	10,279,241
17	77/81	0	568,693	4,150,534	568,693	3,133,927	568,693	3,374,807	568,693	4,760,269	9,424,137
18	78/82	0	568,693	3,717,363	568,693	2,651,621	568,693	2,912,522	568,693	4,547,087	8,517,727
19	79/83	0	568,693	3,263,534	568,693	2,153,074	568,693	2,432,707	568,693	4,329,555	7,556,932
20	80/84	0	568,693	2,788,329	568,693	1,637,738	568,693	1,934,698	568,693	4,109,848	6,538,490
21	81/85	0	568,693	2,290,942	568,693	1,105,046	568,693	1,417,804	568,693	3,892,470	5,458,941
22	82/86	0	568,693	1,770,488	568,693	554,416	568,693	881,309	568,693	3,681,559	4,374,110
23	83/87	0	568,693	1,226,007	554,416	0	568,693	324,470	568,693	3,475,728	4,218,635
24	84/88	0	568,693	656,474	0	0	324,470	0	568,693	3,267,251	4,064,023
25	85/89	0	568,693	60,797	0	0	0	0	568,693	3,056,222	3,910,587
26	86/90	0	57,779	0	0	0	0	0	568,693	2,838,746	3,754,472
27	87/91	0	0	0	0	0	0	0	568,693	2,615,731	3,596,874
28	88/92	0	0	0	0	0	0	0	568,693	2,385,661	3,436,463
29	89/93	0	0	0	0	0	0	0	568,693	2,145,781	3,270,621
30	90/94	0	0	0	0	0	0	0	568,693	1,894,295	3,097,754
		5,000,000	8,588,174		7,378,732		7,717,479		11,373,860		

See the accompanying reports for year-by-year details:
Details of the: Equity Account; Portfolio Turnover
Tax Deferred Account

Management fees reflected in columns (2b), (3b) & (4b):
TA = 1.00%, TDA = 0.70%, TE = 0.20%

Tax Deferred Account is assessed:
Death benefit guarantee of principal: 1.00%
Income tax each year. Column (3b) values are after tax.

Note: Tax Deferred Account values do not reflect surrender charges or market rate adjustments, if any.

*This illustration assumes the nonguaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a proposal from LSW

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Comparison of Values

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		After Tax Values of Identical Allocation to Various Financial Alternatives							SIUL		
		(1)	(2a)	(2b)	(3a)	(3b)	(4a)	(4b)	(5a)	(5b)	(5c)
Yr	F/M Ages	Life Insurance Premium	After Tax Cash Flow from Taxable Account	Taxable Account	After Tax Cash Flow from Tax Deferred Account	Tax Deferred Account	After Tax Cash Flow from Tax Exempt Account	Tax Exempt Account	After Tax Policy Loan Proceeds	Year End Cash Value*	Death Benefit
31	91/95	0	0	0	0	0	0	0	568,693	1,651,448	2,681,833
32	92/96	0	0	0	0	0	0	0	568,693	1,425,730	2,253,227
33	93/97	0	0	0	0	0	0	0	568,693	1,226,752	1,817,882
34	94/98	0	0	0	0	0	0	0	568,693	1,068,818	1,385,830
35	95/99	0	0	0	0	0	0	0	568,693	922,682	1,262,640
36	96/100	0	0	0	0	0	0	0	568,693	789,435	1,153,933
37	97/101	0	0	0	0	0	0	0	568,693	671,106	1,061,845
38	98/102	0	0	0	0	0	0	0	568,693	574,330	993,170
39	99/103	0	0	0	0	0	0	0	568,693	502,226	951,160

5,000,000

8,588,174

7,378,732

7,717,479

16,492,097

See the accompanying reports for year-by-year details:
Details of the: Equity Account; Portfolio Turnover
Tax Deferred Account

Management fees reflected in columns (2b), (3b) & (4b):
TA = 1.00%, TDA = 0.70%, TE = 0.20%

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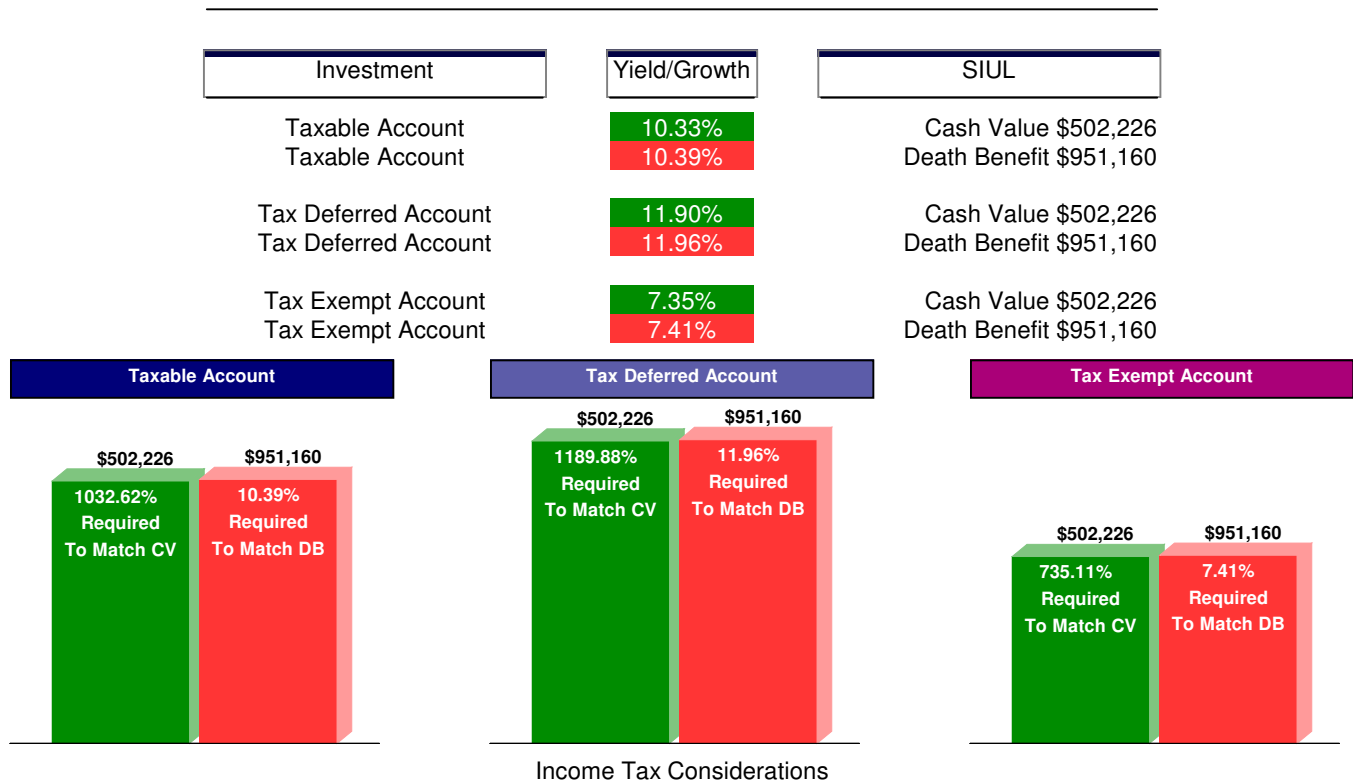
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Matching Values at Ages 99/103 (Year 39)

Taxable Account Growth	Tax Deferred Account Yield	Tax Exempt Account Yield	Income Tax Rate	SIUL Interest Rate	Initial Death Benefit
7.00%	7.00%	4.00%	35.00%	7.00%	8,415,053

Yield/Growth Required by Various Investments to Match SIUL Policy Values over 39 years



1. Taxable Account: Capital gains tax calculations are taxed based on a ratio of asset value to remaining cost basis in any given year.
2. Tax Deferred Account: Interest is tax deferred.
(Values assume tax is assessed in year shown only)
3. Tax Exempt Account: Interest is tax exempt.
4. LSW LifeCycle Solutions SIUL:
 - a. Death Benefit including cash value component is income tax free.
 - b. Loans are income tax free as long as the policy is kept in force.
 - c. Withdrawals and other non-loan policy cash flow up to cost basis (not in violation of IRC Section 7702) are income tax free as a return of premium.
 - d. Cash values shown assume most favorable combination of b and/or c.

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Taxable Account Details

Taxable Account Growth 7.00%
Income Tax Rate 35.00%
Composite Capital Gains Tax Rate* 27.00%
Turnover Assumption 20.00%

Yr	F/M Ages	(1) Beginning of Year Account Value	(2) Annual Deposit	(3) Sale of Equities	(4) Capital Growth	(5) After Tax Reinvested Dividends	(6) Year End Value of Account Before Turnover	(7)** Year End Value of Account After Turnover	(8) After Tax Dividend Cash Flow	(9) After Tax Cash Flow from Equity Sales	(10) Combined After Tax Cash Flow
1	61/65	0	500,000	0	35,000	0	535,000	527,779	0	0	0
2	62/66	527,779	500,000	0	71,945	0	1,099,724	1,083,669	0	0	0
3	63/67	1,083,669	500,000	0	110,857	0	1,694,526	1,668,193	0	0	0
4	64/68	1,668,193	500,000	0	151,774	0	2,319,967	2,282,045	0	0	0
5	65/69	2,282,045	500,000	0	194,743	0	2,976,788	2,926,063	0	0	0
6	66/70	2,926,063	500,000	0	239,824	0	3,665,887	3,601,222	0	0	0
7	67/71	3,601,222	500,000	0	287,086	0	4,388,308	4,308,617	0	0	0
8	68/72	4,308,617	500,000	0	336,603	0	5,145,220	5,049,453	0	0	0
9	69/73	5,049,453	500,000	0	388,462	0	5,937,915	5,825,043	0	0	0
10	70/74	5,825,043	500,000	0	442,753	0	6,767,796	6,636,800	0	0	0
11	71/75	6,636,800	0	589,820	423,289	0	6,470,269	6,340,050	0	568,693	568,693
12	72/76	6,340,050	0	591,788	402,378	0	6,150,640	6,023,206	0	568,693	568,693
13	73/77	6,023,206	0	593,314	380,092	0	5,809,984	5,686,949	0	568,693	568,693
14	74/78	5,686,949	0	594,498	356,472	0	5,448,923	5,331,610	0	568,693	568,693
15	75/79	5,331,610	0	595,417	331,534	0	5,067,727	4,957,237	0	568,693	568,693
16	76/80	4,957,237	0	596,129	305,278	0	4,666,386	4,563,661	0	568,693	568,693
17	77/81	4,563,661	0	596,681	277,689	0	4,244,669	4,150,534	0	568,693	568,693
18	78/82	4,150,534	0	597,109	248,740	0	3,802,165	3,717,363	0	568,693	568,693
19	79/83	3,717,363	0	597,441	218,395	0	3,338,317	3,263,534	0	568,693	568,693
20	80/84	3,263,534	0	597,698	186,609	0	2,852,445	2,788,329	0	568,693	568,693
21	81/85	2,788,329	0	597,898	153,330	0	2,343,761	2,290,942	0	568,693	568,693
22	82/86	2,290,942	0	598,052	118,502	0	1,811,392	1,770,488	0	568,693	568,693
23	83/87	1,770,488	0	598,172	82,062	0	1,254,378	1,226,007	0	568,693	568,693
24	84/88	1,226,007	0	598,265	43,942	0	671,684	656,474	0	568,693	568,693
25	85/89	656,474	0	598,337	4,070	0	62,207	60,797	0	568,693	568,693
26	86/90	60,797	0	60,797	0	0	0	0	0	57,779	57,779
27	87/91	0	0	0	0	0	0	0	0	0	0
28	88/92	0	0	0	0	0	0	0	0	0	0
29	89/93	0	0	0	0	0	0	0	0	0	0
30	90/94	0	0	0	0	0	0	0	0	0	0
			5,000,000	9,001,416	5,791,429	0			0	8,588,174	8,588,174

*The composite capital gains tax rate includes 20.00% short-term gains subject to ordinary income tax and 80.00% long-term gains subject to capital gains tax. The individual tax rates used to create the composite tax rate are:

Capital Gains Tax: 25.00%
Income Tax: 35.00%

**Column (7) is reduced by a 1.00% management fee.

(To review turnover calculations, see the Details of Portfolio Turnover report.)

Capital gains tax calculations are based upon a ratio of asset value to remaining cost basis in any given year.

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Taxable Account Details

Taxable
Account
Growth
7.00%

Income
Tax Rate
35.00%

Composite Capital
Gains Tax Rate*
27.00%

Turnover
Assumption
20.00%

		(1)		(2)		(3)		(4)		(5)		(6)		(7)**		(8)		(9)		(10)
	F/M	Beginning	+	Annual	-	Sale of	+	Capital	+	After Tax	=	Year End		Year End		After Tax		After Tax		Combined
Yr	Ages	of Year		Deposit		Equities		Growth		Reinvested		Value of		Value of		Dividend		Cash Flow		After Tax
		Account								Dividends		Before		Account		Cash Flow		from		Cash Flow
		Value										Turnover		After				Equity		
														Turnover				Sales		
31	91/95	0		0		0		0		0		0		0		0		0		0
32	92/96	0		0		0		0		0		0		0		0		0		0
33	93/97	0		0		0		0		0		0		0		0		0		0
34	94/98	0		0		0		0		0		0		0		0		0		0
35	95/99	0		0		0		0		0		0		0		0		0		0
36	96/100	0		0		0		0		0		0		0		0		0		0
37	97/101	0		0		0		0		0		0		0		0		0		0
38	98/102	0		0		0		0		0		0		0		0		0		0
39	99/103	0		0		0		0		0		0		0		0		0		0

5,000,000 9,001,416 5,791,429 0

0 8,588,174 8,588,174

*The composite capital gains tax rate includes 20.00% short-term gains subject to ordinary income tax and 80.00% long-term gains subject to capital gains tax. The individual tax rates used to create the composite tax rate are:

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Tax Deferred Account

		Tax Deferred Account Yield 7.00%	Income Tax Rate 35.00%	Initial Payment 500,000		
Tax Deferred Account						
		(1)	(2)	(3)	(4)	(5)
Year	F/M Ages	Annual Deposit	After Tax Cash Flow	Gross Yield 7.00%	Tax Deferred Ending Balance	After Tax Values
1	61/65	500,000	0	35,000	525,905	516,838
2	62/66	500,000	0	71,813	1,079,057	1,051,387
3	63/67	500,000	0	110,534	1,660,868	1,604,564
4	64/68	500,000	0	151,261	2,272,823	2,177,335
5	65/69	500,000	0	194,098	2,916,483	2,770,714
6	66/70	500,000	0	239,154	3,593,491	3,385,769
7	67/71	500,000	0	286,544	4,305,574	4,023,623
8	68/72	500,000	0	336,390	5,054,551	4,685,458
9	69/73	500,000	0	388,819	5,842,333	5,372,516
10	70/74	500,000	0	443,963	6,670,929	6,086,104
11	71/75	0	568,693	405,721	6,096,308	5,712,600
12	72/76	0	568,693	365,498	5,491,917	5,319,746
13	73/77	0	568,693	332,574	4,997,205	4,911,052
14	74/78	0	568,693	303,965	4,567,336	4,488,594
15	75/79	0	568,693	274,393	4,122,991	4,051,910
16	76/80	0	568,693	243,825	3,663,681	3,600,518
17	77/81	0	568,693	212,228	3,188,904	3,133,927
18	78/82	0	568,693	179,566	2,698,137	2,651,621
19	79/83	0	568,693	145,805	2,190,845	2,153,074
20	80/84	0	568,693	110,907	1,666,468	1,637,738
21	81/85	0	568,693	74,833	1,124,432	1,105,046
22	82/86	0	568,693	37,545	564,142	554,416
23	83/87	0	554,416	0	0	0
24	84/88	0	0	0	0	0
25	85/89	0	0	0	0	0
26	86/90	0	0	0	0	0
27	87/91	0	0	0	0	0
28	88/92	0	0	0	0	0
29	89/93	0	0	0	0	0
30	90/94	0	0	0	0	0
		5,000,000	7,378,732			

Management fees reflected in column (5): 0.70%

Tax Deferred Account values are not guaranteed and may be higher or lower than illustrated.

30 Year Summary

Tax Deferred Account is assessed:

Death benefit guarantee of principal: 1.00%

Income tax each year. Column (5) values are after tax.

Withdrawals are taxable until gain is exhausted. Due to this, any withdrawals reflected in Column (2) have been grossed up so the after tax net is equal to the amount shown.

	Tax Deferred Account
After Tax Payments	5,000,000
After Tax Cash Flow	7,378,732
Living Values	0
Death Benefit	0

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Tax Deferred Account

		Tax Deferred Account Yield 7.00%	Income Tax Rate 35.00%	Initial Payment 500,000			
Tax Deferred Account							
		(1)	(2)	(3)	(4)	(5)	
Year	F/M Ages	Annual Deposit	After Tax Cash Flow	Gross Yield 7.00%	Tax Deferred Ending Balance	After Tax Values	
31	91/95	0	0	0	0	0	0
32	92/96	0	0	0	0	0	0
33	93/97	0	0	0	0	0	0
34	94/98	0	0	0	0	0	0
35	95/99	0	0	0	0	0	0
36	96/100	0	0	0	0	0	0
37	97/101	0	0	0	0	0	0
38	98/102	0	0	0	0	0	0
39	99/103	0	0	0	0	0	0

5,000,000 7,378,732

Management fees reflected in column (5): 0.70%

Note: Tax Deferred Account values do not reflect surrender charges or market rate adjustments, if any.

Tax Deferred Account values are not guaranteed and may be higher or lower than illustrated.

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Death benefit guarantee of principal: 1.00%
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39 Year Summary	
	Tax Deferred Account
After Tax Payments	5,000,000
After Tax Cash Flow	7,378,732
Living Values	0
Death Benefit	0

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Details of the Tax Deferred Account

Tax Deferred
Account
Yield
7.00%

Income
Tax Rate
35.00%

Initial
Payment
500,000

Tax Deferred Account											
Year	F/M Ages	(1) Beginning of Year Value of Account	(2) Annual Deposit to the Account	(3) Beginning of Year Cost Basis	(4) Beginning of Year Before Tax Withdrawal	(5) Gain in Contract Withdrawn	(6) Taxable Portion of Withdrawal Column (5)	(7) After Tax Value of Column (6)	(8) Tax Free Portion of Withdrawal (4) - (5)	(9) Ending Balance	(10) After Tax Cash Flow (7) + (8)
1	61/65	0	500,000	500,000	0	0	0	0	0	525,905	0
2	62/66	525,905	500,000	1,000,000	0	0	0	0	0	1,079,057	0
3	63/67	1,079,057	500,000	1,500,000	0	0	0	0	0	1,660,868	0
4	64/68	1,660,868	500,000	2,000,000	0	0	0	0	0	2,272,823	0
5	65/69	2,272,823	500,000	2,500,000	0	0	0	0	0	2,916,483	0
6	66/70	2,916,483	500,000	3,000,000	0	0	0	0	0	3,593,491	0
7	67/71	3,593,491	500,000	3,500,000	0	0	0	0	0	4,305,574	0
8	68/72	4,305,574	500,000	4,000,000	0	0	0	0	0	5,054,551	0
9	69/73	5,054,551	500,000	4,500,000	0	0	0	0	0	5,842,333	0
10	70/74	5,842,333	500,000	5,000,000	0	0	0	0	0	6,670,929	0
11	71/75	6,670,929	0	5,000,000	874,912	874,912	874,912	568,693	0	6,096,308	568,693
12	72/76	6,096,308	0	5,000,000	874,912	874,912	874,912	568,693	0	5,491,917	568,693
13	73/77	5,491,917	0	5,000,000	740,864	491,917	491,917	319,746	248,947	4,997,205	568,693
14	74/78	4,997,205	0	4,751,053	654,846	246,152	246,152	159,999	408,694	4,567,336	568,693
15	75/79	4,567,336	0	4,342,359	647,435	224,977	224,977	146,235	422,458	4,122,991	568,693
16	76/80	4,122,991	0	3,919,901	639,775	203,090	203,090	132,009	436,684	3,663,681	568,693
17	77/81	3,663,681	0	3,483,217	631,856	180,465	180,465	117,302	451,391	3,188,904	568,693
18	78/82	3,188,904	0	3,031,825	623,671	157,079	157,079	102,101	466,592	2,698,137	568,693
19	79/83	2,698,137	0	2,565,234	615,209	132,904	132,904	86,387	482,306	2,190,845	568,693
20	80/84	2,190,845	0	2,082,928	606,464	107,917	107,917	70,146	498,547	1,666,468	568,693
21	81/85	1,666,468	0	1,584,381	597,423	82,087	82,087	53,357	515,336	1,124,432	568,693
22	82/86	1,124,432	0	1,069,045	588,079	55,387	55,387	36,002	532,691	564,142	568,693
23	83/87	564,142	0	536,353	564,142	27,789	27,789	18,063	536,353	0	554,416
24	84/88	0	0	0	0	0	0	0	0	0	0
25	85/89	0	0	0	0	0	0	0	0	0	0
26	86/90	0	0	0	0	0	0	0	0	0	0
27	87/91	0	0	0	0	0	0	0	0	0	0
28	88/92	0	0	0	0	0	0	0	0	0	0
29	89/93	0	0	0	0	0	0	0	0	0	0
30	90/94	0	0	0	0	0	0	0	0	0	0
		5,000,000		8,659,588		3,659,588		2,378,733	4,999,999	7,378,732	

Various Financial Alternatives vs. LSW LifeCycle Solutions SIUL

Presented By: Shawn Bragdon, CLU, ChFC

Insured: Mr. Valued Client/Mrs. Valued Client

Details of the Tax Deferred Account

Tax Deferred
Account
Yield
7.00%

Income
Tax Rate
35.00%

Initial
Payment
500,000

		Tax Deferred Account									
		(1) Beginning of Year Value of Account	(2) Annual Deposit to the Account	(3) Beginning of Year Cost Basis	(4) Beginning of Year Before Tax Withdrawal	(5) Gain in Contract Withdrawn	(6) Taxable Portion of Withdrawal Column (5)	(7) After Tax Value of Column (6)	(8) Tax Free Portion of Withdrawal (4) - (5)	(9) Ending Balance	(10) After Tax Cash Flow (7) + (8)
Year	F/M Ages										
31	91/95	0	0	0	0	0	0	0	0	0	0
32	92/96	0	0	0	0	0	0	0	0	0	0
33	93/97	0	0	0	0	0	0	0	0	0	0
34	94/98	0	0	0	0	0	0	0	0	0	0
35	95/99	0	0	0	0	0	0	0	0	0	0
36	96/100	0	0	0	0	0	0	0	0	0	0
37	97/101	0	0	0	0	0	0	0	0	0	0
38	98/102	0	0	0	0	0	0	0	0	0	0
39	99/103	0	0	0	0	0	0	0	0	0	0

5,000,000

8,659,588

3,659,588

2,378,733

4,999,999

7,378,732

Taxation of Tax Deferred Account Cash Flow

With tax deferred accounts, withdrawals (partial surrenders) are taxable until gain is exhausted. Due to this, cash flow illustrated from the tax deferred account in this presentation is the after tax result of withdrawals of a higher amount.

With cash value life insurance policies, withdrawals (also known as partial surrenders) are income-tax free up to cost basis and taxable thereafter. Policy loans are income-tax free so long as the policy stays in force until death. The source of the cash flow from the life insurance policy in this presentation is policy loans.

Note: Policy loans reduce policy cash values and death benefits, and the lapse of a loaned policy could result in severe tax ramifications to the policy owner. Be sure to consult a professional tax adviser if you have any questions about this issue.

Cash Flow Analysis In Year 11

Below is an analysis of tax calculations on cash flow in the first year that cash flow from the Tax Deferred Account and LSW LifeCycle Solutions SIUL is illustrated.

Tax Deferred Account

\$874,912	gain in contract withdrawn @ 35.00% tax to net	\$568,693
+ \$0	additional non-taxed withdrawal to net	+ \$0
<hr/>		<hr/>
\$874,912	total withdrawal which nets, after tax	\$568,693

LSW LifeCycle Solutions SIUL

There are no tax calculations required for the life insurance policy since policy loans are not taxable

Tax deferred account surrender charges, if any, will further reduce tax deferred account values.

Taxation of Taxable Account Cash Flow

With equity accounts, dividends are taxed and the after tax balance is either reinvested or used for scheduled cash flow. Capital gains tax calculations are based upon a ratio of asset value to remaining cost basis in any given year.

With cash value life insurance policies, withdrawals (also known as partial surrenders) are income-tax free up to cost basis and taxable thereafter. Policy loans are income-tax free so long as the policy stays in force until death. The source of the cash flow from the life insurance policy in this presentation is policy loans.

Note: Policy loans reduce policy cash values and death benefits, and the lapse of a loaned policy could result in severe tax ramifications to the policy owner. Be sure to consult a professional tax adviser if you have any questions about this issue.

Tax Calculations

The tax deferred investment illustrated in the accompanying material reflects after tax values. Since withdrawals are taxable until any gain is exhausted, account values are illustrated on an after tax basis.

With equity accounts, dividends are taxed and the after tax balance is either reinvested or used for scheduled cash flow. Capital gains tax calculations are based upon a ratio of asset value to remaining cost basis in any given year.

A cash value life insurance policy (that is not designed as a modified endowment contract*) is taxed on a first-in-first-out basis which means that withdrawals (also known as partial surrenders) have different taxation. Withdrawals up to cost basis are income-tax free; subsequent withdrawals are taxable. However, contractual loan provision in the policy allow you to access additional cash flow from the policy cash value which is income-tax free so long as the policy stays in force. This feature avoids the problem of taxable withdrawals in excess of cost basis. Interest on such loans can be added to the outstanding loan, and with most life insurance policies, the loan balance is credited with interest earnings at (or near) the level of the loan interest charged resulting in a wash (or near wash) of the loan interest. If the policy is kept in force until death, the policy death benefit, including any internal deferred gain, is income-tax free.

Policy loans reduce policy cash values and death benefits, and the lapse of a loaned policy could result in severe tax ramifications to the policy owner. Be sure to consult a professional tax adviser if you have any questions about this.

*With a life insurance policy that is characterized as a modified endowment contract ("MEC"), both withdrawals and loans are taxed on a gain first basis. In almost all circumstances, it is advisable to avoid purchasing a MEC, and the basic illustration that is provided to you from the issuing life insurance company should indicate if it is a MEC.

Legal and tax information is for general use only and may not be applicable to specific circumstances. Clients should consult their own legal, tax and accounting advisors to assist in the evaluation of any potential transaction or strategy.